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COMMONWEALTH OF KENTUCKY
PUBLIC PROTECTION CABINET
DEPARTMENT OF FINANCIAL INSTITUTIONS
AGENCY CASE NO. 2008-AH-276

COMMONWEALTH OF KENTUCKY, EX. RE. THE
COMMISSIONER OF THE
DEPARTMENT OF FINANCIAL INSTITUTIONS

PETITIONER

V.

HIGHLAND FINANCIAL MANAGEMENT, INC.

RESPONDENT

AGREED ORDER

The Commonwealth of Kentucky, by and through the Commissioner of the Department of Financial Institutions, and Highland Financial Management, Inc. hereby enter into this Agreed Order as follows:

1. The Department of Financial Institutions ("DFI") is the agency of Kentucky state government charged with enforcement of the provisions of KRS Chapter 292 (the Kentucky Securities Act) and the rules and regulations enacted thereunder. This Order is entered in the interest of the citizens of this Commonwealth in the public interest.
2. Highland Financial Management, Inc. ("Highland Financial") is a registered investment adviser with the DFI subject to those portions of KRS Chapter 292 and the regulations adopted thereunder applicable to investment advisers. The principal

office of Highland Financial is located at 1104 Juliana Court, Elizabethtown, Kentucky 42701. The Managing Member of Highland Financial is Lewis Newton.

3. On the basis of financial statements prepared for or by Highland Financial as of September 30, 2008 and which were submitted to the DFI on October 27, 2008, the Commissioner of the DFI has determined that Highland Financial was in violation of KRS Chapter 292, and more specifically, 808 KAR 10:200, Section 3 (2) as of September 30, 2008.
4. Pursuant to 808 KAR 10:200, Section 3 (2), an investment adviser registered under the Kentucky Securities Act and who has discretionary authority over client funds or securities, but does not have custody of client funds or securities, is required to at all times maintain a minimum net worth of ten thousand dollars (\$10,000) or be bonded for that amount by a bonding company that is qualified to do business in Kentucky.
5. Highland Financial has discretionary authority over client funds or securities.
6. Highland Financial has failed to satisfy the minimum net worth requirements of KRS Chapter 292 and 808 KAR 10:200, Section 3(2).
7. KRS 292.500(14) authorizes the Commissioner to assess civil fines against any person who violates any provision of the Securities Act or any rule or order thereunder.

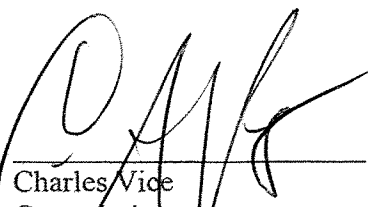
ORDER

Accordingly, the Respondent, Highland Financial, agrees to pay to the Kentucky Department of Financial Institutions, 1025 Capital Center Drive, Suite 200, Frankfort, KY 40601 (Attn: William Owsley) a fine in the amount of Two Hundred Fifty Dollars and No Cents (\$250.00) for failure to consistently maintain the minimum capitalization

requirements of the Kentucky Securities Act. The fine shall be made payable to the Kentucky State Treasurer, and shall be delivered to the Department simultaneously with the execution and entry of this Agreed Order.

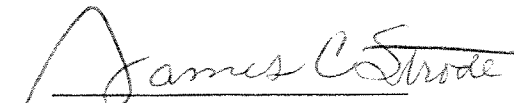
This is a Final Order.

Entered this 20th day of November, 2008.



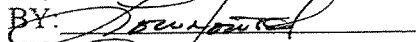
Charles Vice
Commissioner
Department of Financial Institutions
1025 Capital Center Drive
Suite 200
Frankfort, KY 40601
(502) 573-3390

AGREED TO:



James Strode
Director of Securities

Highland Financial Management, Inc.

BY: 

ITS: PRESIDENT